

## Policy & Resources Committee

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### Approved Minutes

Minutes of a Meeting of the Committee held on Monday 17 November 2014 at the Basildon Campus at 5.50 pm.

Present: Mr R Launder (Chairman)  
Mr D O'Halloran  
Ms O Buck  
Dr R Gray  
Mr R Hughes  
Ms M West  
Mr N Kelleway co-opted member

In Attendance: Mr A McGarel (Deputy Principal & Chief Executive)  
Mr S Cain (Finance Co-ordinator)  
Mr R I Millea FCA (Clerk to the Corporation)  
Mr S Smith (Vice Principal, Corporate Resources) - Item 5 only

### 1. Apologies for Absence

Apologies for absence were received from Mr S Burrell, Ms A O'Donoghue CBE (Principal & Chief Executive), Ms D Hurst (Director of Finance), Ms Carol Anson-Higgs (Vice Principal, Business Development), Mrs Wendy Barnes (Assistant Principal, Student Support) and Ms Denise Brown (Vice Principal, Curriculum & Quality).

### 2. Urgent Business

See confidential section of the minutes.

### 3. Minutes of the Meeting held on Monday 15 September 2014

The Minutes of the Meeting held on Monday 15 September 2014 were **APPROVED** and **SIGNED** by the Chairman.

### 4. Matters Arising

The Clerk reported that the KPI targets for 2014-15 in respect of finance and HR matters were approved by the Board at their last meeting on Monday 6 October 2014. The Board also approved revised Terms of Reference for this Committee.

### 5. Strategic Developments in South Essex (Paper PRC.14.24)

This matter was deemed to be a confidential item under the Instrument & Articles and a separate minute has been prepared, which is attached to these minutes.

## 6. College Finances (Paper PRC.14.25)

### (a) Management Accounts to 30 September 2014

The Finance Co-ordinator presented the **Finance Report** comprising the **Management Accounts** for the two months ended 30 September 2014.

To 30 September 2014, total income amounted to £ 9.140 million (£286K below budget) and total expenditure £ 8.969 million (327K below budget), giving rise to a surplus to 30 September of £171K, as against a budgeted surplus to this date of £130K, a surplus against budget of £41K.

Therefore, in overall terms, the surplus is in line with budget. At this early stage of the year, the expected surplus for the year of £671K appears to be achievable.

The Committee noted that interest on investments earned in the two month period to 30 September 2014 amounted to £17,000 (2013: £32,000).

Due to implementation of the new accounting system (Agresso Accounting Software), it has not been possible to produce a balance sheet for this meeting and the KPI measures are also not included. This information should be available for the Board Meeting in December when the Management Accounts to 31 October will be tabled.

### (b) College Draft Financial Statements 2013-14

The Deputy Principal & Chief Executive and the Finance Co-ordinator presented the draft Financial Statements and Annual Report for the year ended 31 July 2014 for the College, South Essex Commercial Services Limited and Nova Skills Education and Careers Limited.

The College generated an operating surplus for the year of £1,145K (2013: £816K).

After taking account of net exceptional charges of £502K (2013: net credit of £12,869), the final reported surplus for the year amounted to £643K (2013: £13,685K).

Members noted the analysis of exceptional costs and credits for the two years as detailed in notes 6, 11 and 12 to the accounts. Operating cash flow declined in the year due to capital expenditure on the new Thurrock Campus and Luker Road. Cash reserves remain solid at £5.537 million at 31 July.

The Deputy Principal & Chief Executive brought a number of key matters to the attention of the Committee:

- Bad debt provision of £236K (2013: £348K) in connection with old Thurrock & Basildon student debts
- Costs of £1,600K remain capitalised in connection with the new Basildon Campus project, which may have to be written off if the project does not proceed
- The pension fund deficit as computed under the provisions of FRS17 has increased by £2,778K (2013: reduction of £3,355K). The charge to the income and expenditure account arising from FRS 17 adjustments amounted to £356K (2013: £365K) for interest and £235K (2013: £301K) for staff costs

The Committee recognised that the financial performance for the year was sound, given the extremely difficult funding environment.

The DP&CE advised that the external audit has been completed, subject to a few outstanding points, a detailed technical review and the final post balance sheet review, and the auditors have indicated that they intend to issue an unqualified opinion. The same applies to the Regularity Audit opinion.

The Committee considered the disclosure in Note 1 to the Accounts in respect of going concern and confirmed that, having taking advice from senior management and the Clerk, in their opinion, the College is a going concern. This assertion will be validated by the Board when they formally approve the final audited accounts at the Board Meeting on 8 December 2014.

The Committee noted that the Annual Report and Financial Statements had been reviewed by the Audit & Risk Committee at their meeting on 12 November 2014 and they had recommended them to the Corporation for approval on 8 December 2014.

The Committee **DISCUSSED** the 2013-14 financial performance of the College and its subsidiary/joint venture companies and **RECOMMENDED** the approval of the Annual Report and Financial Statements by the Corporation at its meeting on 8 December 2014, after incorporating any final adjustments and the completion of outstanding audit matters.

#### **(c) Learner Numbers and financial outturn for 2013-14**

The Committee **RECEIVED** a Report from the DP&CE on learner numbers and the financial outturn achieved for 2013/14.

In summary, the College achieved the learner number and funding targets for the 2013/14 academic year for 16-18 learners and almost all of the 19+ allocation (anticipated at 99%).

Unfortunately, neither the 16-18 nor the 19+ apprenticeship targets were met. As a result, the SFA will claw back £150,000 of the original allocation. This has been provided for in the accounts.

Members were pleased with the College's performance in achieving virtually all of their recruitment targets and therefore virtually all of their allocated funds from the EFA and SFA.

#### **(d) Learner Numbers and financial implications for 2014-15**

The Committee noted that the enrolments of 16-18 students for 2014/15 are 5629 to date after withdrawals as against the College's campus based planned delivery target of 6433. The overall allocation of FE 16-18 funding for 2014/15 is for 7068 learners.

Thus far, the College has allocated contracts to collaborative partners to provide activity which will fund an estimated further 1092 learners and the College intends to recruit on campus a further 95 learners in January 2015.

There is therefore still work to be done to meet the learner number target for this year. In addition, the College continues to focus on improving attendance and retention for 2014/15.

Enrolment of 19+ learners is quite encouraging, 62% of target have already been recruited. Based on past experience and reflecting the fact that a significant proportion of 19+ recruitment takes place throughout the year; the College anticipates that the overall 19+ allocation will be met.

The Committee will be updated on Learner Numbers and the financial implications as the year progresses.

The excellent enrolments at Thurrock mean that it is up to about 50% capacity.

The Committee noted that a project valued at £750,000 has been won from the Education and Training Foundation for Teacher Training delivery over the rest of this academic year.

The Committee asked how many Basildon students are going to the other two campuses compared to last year in order to help measure the opportunity cost of continuing to maintain the current dilapidated Basildon Campus.

The Committee **RECEIVED** the Report.

#### **(e) Essex Shared Services Limited**

A verbal update on the shared services company was provided to the Committee. The Company, which is jointly owned by the College and Chelmsford College, became fully operational on 1 August 2014 from separate premises on the Basildon Campus site of SEC. The Company currently provides shared services in Finance, Procurement and Payroll, but it is planned to extend this to Health and Safety and Human Resource activities.

Furthermore, conversations are being initiated with other potential partners who might wish to participate in the shared services environment.

The Committee was provided with an organisation chart for ESS Limited. It was noted that the Company operates out of a dedicated facility in Block D of the College's existing Basildon Campus.

The Committee **RECEIVED** the Report.

#### **(f) Essex Shared Services Limited – Joint Venture Agreement**

The Committee reviewed the draft Joint Venture Agreement between the College and Chelmsford College regularising the operational and general contractual arrangements between the two Colleges regarding the shared services company.

The Agreement had been reviewed by senior staff of both Colleges and their respective lawyers. The most fundamental issue is that the funding of the costs of the shared services company is not equal, given the larger size of South Essex College (67% as against 33%). The Clerk to the Corporation informed the Committee that he had reviewed the agreement and passed his comments through to the Director of Finance for action.

After discussion, the Committee **RECOMMENDED** the Agreement be approved, subject to any necessary changes arising out of final review, by the Board at their meeting on 8 December 2014 and signed by the Principal & Chief Executive and the Chairman of the Board on behalf of the College.

**(g) College Financial Health and EFA Funding 2015/16**

The Committee **RECEIVED** a Letter from the Skills Funding Agency regarding the College's Financial Health for 2013/14 and the current year, which they have assessed as Good for both years, based on the College's latest financial plan for 2013/14 to 2015/16.

The Committee **RECEIVED** a Letter from the Education Funding Agency explaining the proposed funding regime nationally for 16-18 students for 2015-16.

**7. HR Matters (Paper PRC.14.26)**

The Committee **RECEIVED** a Report from the College's Head of Human Resources providing the Committee with information in relation to sickness absence and staff turnover enabling KPIs for both of these aspects to be monitored.

The Report provided a summary of last year's statistics, noting both KPIs had been met. It also matched College figures against the most recently available sector data provided by the Association of Colleges.

The absence rate for 2013/14 was 7.22% as against the AoC 2013 survey of 8.42%. The KPI for this year is set at 7%. This equates to eight days absent on average per person. The Committee noted the effect on agency staff spend due to covering staff absence.

For 2013/14, staff turnover was 16% - the AoC data for 2012/13 was 18%. The figures also noted that the Management of Change Strategy had impacted turnover in the year to 2012/13 – when leavers due to the Strategy were stripped out, the College turnover rate was on target and still below the AoC survey figures.

Future reports will provide further analysis of sickness absence data to identify the differentiation and impact of long term and short term absence.

**8. Forthcoming Events (Paper PRC.14.28)**

The Committee **NOTED** the schedule of forthcoming events provided by the Clerk.

**9. Date of Next Meeting**

Monday 26 January 2015 at the Southend Campus at 6.00 pm.

There being no further business, the Meeting terminated at 7.15 pm.

Signed.....Dated.....